

## Message Text

SECRET

PAGE 01 HELSIN 00565 01 OF 09 230845Z  
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 MMO-01 PER-01 CU-02 CIAE-00  
DODE-00 PM-04 H-01 INR-07 L-03 NSAE-00 NSC-05  
PA-01 PRS-01 SS-15 USIA-06 ACDA-07 EB-08 DHA-02  
TRSE-00 IO-13 COME-00 STR-04 /096 W  
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R 230630Z MAR 77  
FM AMEMBASSY HELSINKI  
TO SECSTATE WASHDC 1127  
INFO AMEMBASSY COPENHAGEN  
AMEMBASSY MOSCOW  
AMEMBASSY OSLO  
AMEMBASSY STOCKHOLM

S E C R E T SECTION 1 OF 9 HELSINKI 0565

E.O. 11652: GDS  
TAGS: PFOR, FI, AMGT, XX  
SUBJECT: 1977 POLICY AND RESOURCE PAPER FOR FINLAND: PART 1  
POLICY ASSESSMENT

### A. U.S. INTERESTS

THE PRIMARY U.S. INTEREST IN FINLAND IS MAXIMIZATION OF  
FINLAND'S RELATIVE NEUTRALITY AND INDEPENDENCE FROM THE SOVIET  
UNION AND ITS CONTINUANCE AS A WESTERN-ORIENTED, NON-COMMUNIST  
ECONOMIC AND POLITICAL SOCIETY. A RELATED AND HIGHLY  
IMPORTANT U.S. INTEREST IN FINLAND, WITH ITS 800-MILE BORDER  
WITH THE SOVIET UNION, IS DETERRENCE OF SOVIET MILITARY USE  
OF FINNISH TERRITORY, GIVEN THE ADDITIONAL THREAT TO THE  
NORTHERN FLANK OF NATO AND WESTERN EUROPE THIS WOULD ENTAIL.  
THIS INTEREST IS CONSISTENT WITH THE U.S. REGIONAL INTEREST  
OF WESTERN EUROPEAN SECURITY AND THE BROADER U.S. INTEREST  
OF SUPPORTING SOCIETIES SHARING OUR RESPECT FOR HUMAN RIGHTS,  
A CAUSE WITH WHICH THE NAME HELSINKI IS NOW INSEPARABLY  
IDENTIFIED.

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PAGE 02 HELSIN 00565 01 OF 09 230845Z

### B. OVERVIEW

OWING TO GEOGRAPHICAL, HISTORICAL AND MILITARY FACTORS,  
FINLAND'S INDEPENDENCE IS A SOMEWHAT LIMITED ONE,  
CONTINGENT IN LARGE MEASURE UPON MAINTAINING THE CONFI-  
DENCE AND GOOD WILL OF SOVIET LEADERS. BECAUSE OF TREATY

LIMITATIONS ON FINLAND'S DEFENSE FORCES AND CAPABILITIES, AND THE REALITY OF ITS LONG COMMON BORDER WITH THE SOVIET SUPER POWER, FINLAND LIES WITHIN THE SOVIET MILITARY DOMINANCE AREA. IN FOREIGN AFFAIRS FINLAND IS UNABLE TO FOLLOW FOREIGN POLICIES WHICH RUN COUNTER TO IMPORTANT SOVIET INTERESTS. IN DOMESTIC POLITICAL AFFAIRS FINLAND HAS HAD TO ENDURE SUBSTANTIAL SOVIET INFLUENCE, BOTH ACTUAL AND IMPLIED, AND OCCASIONAL SOVIET INTERFERENCE. ECONOMICALLY, WHILE ONLY ABOUT 20 PERCENT OF FINLAND'S TRADE IS WITH THE USSR, THE LATTER'S TRADE IS VITAL TO THE FINNISH ECONOMY, PARTICULARLY AS A PROVIDER OF NEARLY HALF OF FINLAND'S TOTAL ENERGY NEEDS.

DESPITE SUCH CONSTRAINTS, FINLAND NEVERTHELESS HAS BEEN ABLE TO PRESERVE A SUBSTANTIAL MEASURE OF INDEPENDENCE, A SMALL BUT TOUGH ACTIVE MILITARY -- AND LARGE MILITARY RESERVE -- FORCE, AND POLITICAL AND ECONOMIC INSTITUTIONS THAT UNMISTAKABLY MARK FINLAND AS PART OF THE WESTERN COMMUNITY.

A QUESTION THAT IS CENTRAL TO THE U.S. INTEREST IN FINLAND IS HOW FINLAND HAS BEEN ABLE TO DO THIS -- AND WHETHER IT WILL CONTINUE TO BE ABLE TO DO SO. BECAUSE THE SOVIET UNION INDISPUTABLY POSSESSES THE CAPABILITY OF TERMINATING FINNISH INDEPENDENCE WHENEVER IT MIGHT DECIDE TO DO SO, IT MUST BE ASSUMED THAT CONTINUATION OF FINLAND'S RELATIVE INDEPENDENCE IS ON BALANCE MORE CONVENIENT TO THE SOVIET UNION THAN TAKING THE NECESSARY STEPS TO END THAT INDEPENDENCE. THE SOVIET UNION MAY,

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PAGE 03 HELSIN 00565 01 OF 09 230845Z

FOR EXAMPLE, CONSIDER FINLAND'S CURRENT SITUATION USEFUL AS A SHOWCASE OF COEXISTENCE, AS EVIDENCE OF THE SOVIET UNION'S PEACE-LOVING FOREIGN POLICY, AND AS A NEUTRAL AND NON-COMMUNIST MEDIUM FOR LAUNCHING OR SUPPORTING SOVIET-DESIGNED FOREIGN POLICY INITIATIVES. THERE ARE IN ADDITION IMPORTANT FACTORS MILITATING AGAINST THE USSR TAKING STEPS TO TERMINATE FINNISH INDEPENDENCE. THESE FACTORS WOULD INCLUDE PROBABLE SOVIET EXPECTATION OF FIERCE FINNISH MILITARY AND CIVILIAN RESISTANCE, SOVIET FEAR OF UPSETTING THE NORDIC BALANCE LEADING TO A STRENGTHENED NATO PRESENCE IN THE NORDIC AREA, AND CONCERN OVER THE PROBABLE NEGATIVE REACTION AGAINST THE SOVIET UNION IN THE WEST AND IN THE THIRD WORLD, PARTICULARLY AFTER CSCE DEVELOPMENTS HAVE DIRECTED SO MUCH WORLD ATTENTION TOWARDS HELSINKI.

BECAUSE THE SOVIET UNION DERIVES MODEST ADVANTAGES FROM THE CURRENT SITUATION, BUT MORE IMPORTANTLY, BECAUSE OF THE CONSIDERABLE RISKS TO THE SOVIET UNION THAT AN OVERT

TAKEOVER WOULD ENTAIL, THE EMBASSY CONCLUDES THAT THE DANGERS OF A DIRECT SOVIET MOVE TO SATELLIZE FINLAND UNDER PRESENT OR PROJECTED WORLD CONDITIONS ARE NOT GREAT. MORE LIKELY IS A SOVIET POLICY THAT HAS THE OBJECTIVES OF BROADENING THE ADVANTAGES IT DRAWS FROM THE EXISTING SITUATION, OF INCREASING THE LEVEL OF SOVIET INFLUENCE IN FINLAND, OF ENHANCING THE POSSIBILITIES OF AN EVENTUAL ASSUMPTION OF POWER BY NATIONAL ELEMENTS (INCLUDING THE FINNISH COMMUNIST PARTY) THAT SEEK EVEN CLOSER TIES TO THE SOVIET UNION, AND OF REDUCING INTERNAL AND EXTERNAL LIABILITIES THAT WOULD RESULT FROM A DIRECT SOVIET TAKE-OVER, IN THE UNLIKELY EVENT SUCH A STEP WERE CONSIDERED NECESSARY.

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PAGE 01 HELSIN 00565 02 OF 09 230918Z  
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 MMO-01 PER-01 CU-02 CIAE-00  
DODE-00 PM-04 H-01 INR-07 L-03 NSAE-00 NSC-05  
PA-01 PRS-01 SS-15 USIA-06 ACDA-07 EB-08 DHA-02  
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FM AMEMBASSY HELSINKI  
TO SECSTATE WASHDC 1128  
INFO AMEMBASSY COPENHAGEN  
AMEMBASSY MOSCOW  
AMEMBASSY OSLO  
AMEMBASSY STOCKHOLM

S E C R E T SECTION 2 OF 9 HELSINKI 0565

FINLAND HAS BEEN ABLE IN THE PAST -- AND MOST PROBABLY WILL BE ABLE IN THE FUTURE -- TO RESIST SUCH PRESSURES AND TO MAINTAIN RELATIVELY UNCHANGED ITS BASIC RELATIONSHIP WITH THE SOVIET UNION. BECAUSE OF THE REALITIES OF THAT RELATIONSHIP, THE ISSUE IS NOT WHETHER FINLAND CAN REMOVE ITSELF FROM SIGNIFICANT SOVIET INFLUENCE AND PRESSURE; THE ISSUE IS THE DEGREE TO WHICH FINLAND CAN MAINTAIN ITS RELATIVE NEUTRALITY AND INDEPENDENCE AND DETER SOVIET MILITARY USE OF FINNISH TERRITORY DESPITE ITS SPECIAL RELATIONSHIP TO THE SOVIET UNION. IN SEVERAL AREAS DISCUSSED BELOW, CONTINUED SOVIET PRESSURES AND ACTIVITY, TOGETHER WITH THE CHANGING ATTITUDES OF SOME

FINNS, COULD RESULT IN TRENDS WHICH SUBTLY WEAKEN FINLAND'S CURRENT LEVEL OF NEUTRALITY AND INDEPENDENCE. THROUGH THEIR HUGE EMBASSY STAFF AND MASSIVE PUBLIC AFFAIRS, CULTURAL, AND EXCHANGE PROGRAMS, THE SOVIETS DEVOTE LARGE RESOURCES IN AN ENDEAVOR TO REACH AND INFLUENCE IMPORTANT FINNS IN ALL MAJOR ELEMENTS OF THE FINNISH POPULATION IN AREAS DIRECTLY RELATED TO THE U.S. INTEREST AND TO U.S. OBJECTIVES.

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PAGE 02 HELSIN 00565 02 OF 09 230918Z

#### C. OBJECTIVES, COURSES OF ACTION AND ISSUES

CONSISTENT WITH THE FOREGOING OVERVIEW, THE EMBASSY IN THIS SECTION IDENTIFIES ISSUES WHICH APPEAR TO AFFECT THE U.S. INTEREST IN FINLAND AND RECOMMENDS U.S. OBJECTIVES AND SUPPORTING COURSES OF ACTION. IT WILL BE NOTED THAT THE OBJECTIVES AND COURSES OF ACTION ARE HEAVILY WEIGHTED, AS LAST YEAR, TOWARDS BROADER AND DEEPER U.S. CONTACT WITH AND CULTIVATION OF INFLUENTIAL FINNS IN IMPORTANT SEGMENTS OF THE FINNISH SOCIETY; THIS IS SO BECAUSE FINLAND'S GEOPOLITICAL POSITION DOES NOT PERMIT HARDER U.S. PROGRAMMING AND BECAUSE THE NATURE OF THE CHALLENGE TO THE U.S. INTEREST IS ESSENTIALLY IDEOLOGICAL AND ATTITUDINAL AND MUST BE ANSWERED IN THE SAME GENRE. GIVEN THIS NATURE OF THE COMPETITION, AND CONSIDERING THE MAGNITUDE OF THE SOVIET PROGRAM, THE EMBASSY FRANKLY DOUBTS THAT THE MODEST RESOURCES AVAILABLE FOR U.S. PROGRAMING, PARTICULARLY IN THE AREA OF EXCHANGES AND TRAVEL GRANTS, PERMIT AN ADEQUATE LONG-RANGE PROGRAM IN SUPPORT OF U.S. OBJECTIVES.

#### 1. FINNISH FOREIGN POLICY

##### (A) ISSUES

(1) CHALLENGE TO FINNISH NEUTRALITY -- WITHIN THE CONTEXT OF THE BASIC FINNISH/SOVIET RELATIONSHIP DISCUSSED IN THE OVERVIEW, THE SOVIET UNION WILL PROBABLY SEEK OVER THE NEXT YEAR OR TWO TO INCREASE FINLAND'S DEPENDENCE ON AND SUPPORT FOR SOVIET FOREIGN POLICY INTERESTS AND TO LIMIT SOMEWHAT THE SCOPE OF FINLAND'S NEUTRALITY ASPIRATIONS.

SINCE WORLD WAR II, FINLAND HAS ALWAYS ACCORDED PRIMACY TO THE FOREIGN POLICY IMPERATIVE OF MAINTAINING THE GOOD WILL AND CONFIDENCE OF SOVIET LEADERSHIP. HOWEVER, IT HAS ALSO ATTEMPTED TO ALLEVIATE ITS DEPENDENCE UPON THE SOVIET RELATIONSHIP BY MAINTAINING NORDIC AND INTERNATIONAL RELATIONSHIPS AND ACTIVITIES THROUGH WHICH FINLAND MIGHT: (A) WORK TO

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PAGE 03 HELSIN 00565 02 OF 09 230918Z

EASE NORTHERN EUROPEAN AND WORLD TENSIONS, THEREBY REDUCING THE LIKELIHOOD OF THE SOVIET UNION EVER INVOKING THE SECURITY PROVISIONS OF THE 1948 FCMA TREATY; AND (B) ENHANCE RESPECT FOR FINLAND WITHIN THE INTERNATIONAL COMMUNITY, THEREBY ADDING TO THE FACTORS TENDING TO DISSUADE THE SOVIET UNION FROM ANY POSSIBLE MOVE AGAINST FINLAND.

RECENTLY, HOWEVER, THERE HAVE BEEN INDICATIONS THAT THE SOVIETS MAY BE OPPOSING THE RATHER BROAD SCOPE FOR FINNISH INDEPENDENT ACTIVITY AND NEUTRALITY WHICH MANY FINNS IN THE LATE 1960'S AND EARLY 1970'S HAD COME TO BELIEVE WAS POSSIBLE. MEANWHILE, AMONG SOME FINNS THERE HAS BEEN A TENDENCY TO QUESTION THE DESIRABILITY OF OR NEED FOR SEEKING INTERNATIONAL COUNTERWEIGHTS TO THE SOVIET RELATIONSHIP, RATHER SEEING FINNISH INTERESTS AS BEING BEST SERVED THROUGH EVER-CLOSER RELATIONS WITH THE SOVIET UNION. THERE ARE OCCASIONS ON WHICH IMPORTANT SECTIONS OF THE FINNISH POLITICAL AND FOREIGN POLICY COMMUNITY SHOW A LACK OF CONCERN FOR THE DAMAGE THAT CAN BE DONE TO FINLAND'S CREDIBILITY AS A NEUTRAL IF FINLAND SEEMS TOO OFTEN AND TOO UNCRITICALLY TO SUPPORT SOVIET FOREIGN POLICY INITIATIVES WHICH ARE OPPOSED BY THE NORDIC OR OTHER WESTERN COUNTRIES. THIS IS PARTICULARLY TRUE OF THOSE INITIATIVES IN WHICH FINNISH NATIONAL INTERESTS DO NOT APPEAR DIRECTLY TO BE INVOLVED.

(2) UNCERTAINTIES OF A SUCCESSION CRISIS -- AS DISCUSSED BELOW IN THE SECTION ON DOMESTIC POLITICS, THERE IS A POSSIBILITY THAT DURING THE TIMEFRAME OF THIS PAPER PRESIDENT KEKKONEN WILL LEAVE THE PRESIDENCY THROUGH RETIREMENT, INCAPACITATION, OR DEATH; THIS COULD RESULT IN A SUCCESSION STRUGGLE DURING WHICH TIME FINNISH POLITICAL UNCERTAINTIES MIGHT INTERACT WITH SOVIET ANXIETIES IN UNPREDICTABLE WAYS. THE NEXT PRESIDENT WILL BE UNLIKELY TO ENJOY THE SAME CONFIDENCE AMONG THE FINNISH PEOPLE AND WITH THE SOVIET LEADERSHIP THAT KEKKONEN HAS ACHIEVED; THIS MAY WELL LEAD TO UNCERTAINTIES IN SOVIET-FINNISH RELATIONS

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PAGE 04 HELSIN 00565 02 OF 09 230918Z

WHICH COULD AFFECT U.S. INTERESTS AND OBJECTIVES IN FINLAND.

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PAGE 01 HELSIN 00565 03 OF 09 231017Z  
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 MMO-01 PER-01 CU-02 CIAE-00  
DODE-00 PM-04 H-01 INR-07 L-03 NSAE-00 NSC-05  
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TO SECSTATE WASHDC 1129  
INFO AMEMBASSY COPENHAGEN  
AMEMBASSY MOSCOW  
AMEMBASSY OSLO  
AMEMBASSY STOCKHOLM

S E C R E T SECTION 3 OF 9 HELSINKI 0565

(B) U.S. OBJECTIVE  
PROMOTION OF AN OBJECTIVE FINNISH NEUTRALITY AS THE BEST  
SAFEGUARD OF FINNISH INDEPENDENCE.

(C) COURSES OF ACTION  
(1) DEMONSTRATE U.S. INTEREST IN FINNISH INDEPENDENCE AND  
NEUTRALITY THROUGH PUBLIC AND PRIVATE STATEMENTS, AND THROUGH:  
(A) FREQUENT HIGH-LEVEL VISITS BY U.S. OFFICIALS TO FINLAND;  
AMERICAN OFFICIALS TRAVELING ELSEWHERE IN EUROPE SHOULD BE  
ENCOURAGED TO CONSIDER BRIEF VISITS TO FINLAND; (B) MORE USG/  
GOF CONSULTATIONS ON MAJOR WORLD POLITICAL ISSUES, BOTH TO  
SEEK FINNISH UNDERSTANDING OF OUR VIEWS AND TO DEMONSTRATE  
U.S. RESPECT FOR FINLAND'S STATUS; (C) MORE INVITATIONS TO  
FINNISH GOVERNMENT OFFICIALS TO VISIT WASHINGTON FOR CONSUL-  
TATIONS OR SIMPLY FOR FAMILIARIZATION.

(2) PRIVATELY STRESS TO INFLUENTIAL FINNS U.S. BELIEF IN THE  
IMPORTANCE OF FINLAND HAVING BROAD INTERNATIONAL CONTACTS AND  
MAINTAINING INTERNATIONAL RESPECT AND CREDIBILITY AS A COUNTER-  
WEIGHT AGAINST SOVIET INFLUENCE AND PRESSURE.

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PAGE 02 HELSIN 00565 03 OF 09 231017Z

(3) DISCOURAGE FINNISH "PEACE" INITIATIVES AND TOO UNCRITICAL  
SUPPORT OF SOVIET FOREIGN POLICY PROPOSALS; REMIND FINNS THAT  
SUCH ACTIVITIES, BY SEEMING TO BE DESIGNED LARGELY OR SOLELY  
TO BUILD UP CREDIT IN MOSCOW, TEND TO UNDERMINE THE CREDIBILITY  
OF FINNISH NEUTRALITY AND INDEPENDENCE AND TO INCREASE  
FINNISH DEPENDENCE ON THE SOVIET UNION.

(4) SEEK INTERNATIONAL ENDORSEMENT OF FINLAND'S STATUS AS A NEUTRAL IN WAYS WHICH TEND TO COMMIT THE USSR TO ACKNOWLEDGE FINNISH NEUTRALITY IN A MULTILATERAL FRAMEWORK.

(5) STIMULATE AND SUPPORT FINNISH INITIATIVES FOR EXPANDED FINNISH PARTICIPATION IN UN ACTIVITIES, PARTICULARLY WITHIN THE UN PEACEKEEPING MACHINERY AND IN DISARMAMENT DISCUSSIONS WHERE THE FINNS HAVE CONSIDERABLE INTEREST. SUCH INVOLVEMENT ENHANCES FINLAND'S REPUTATION AS A CONSTRUCTIVE, INDEPENDENT AND "PROFESSIONAL" NEUTRAL.

(6) INDICATE U.S. SUPPORT AND APPRECIATION FOR FINNISH INITIATIVES TO HAVE HELSINKI RECOGNIZED AS A MAJOR MEETING SITE FOR EAST-WEST, UN, AND OTHER INTERNATIONAL CONFERENCES SUCH AS CSCE AND SALT, THEREBY REINFORCING FINLAND'S ROLE AS AN INDEPENDENT AND NEUTRAL COUNTRY. HOWEVER, POINT OUT THAT THE HOSTING OF COMMUNIST-FRONT "PEACE" CONFERENCES AND MEETINGS DOES NOT ENHANCE FINLAND'S NEUTRAL REPUTATION; MAKE CLEAR THAT U.S. SUPPORT FOR HOLDING INTERNATIONAL CONFERENCES IN HELSINKI DEPENDS UPON OUR PERCEPTION OF FINLAND AS EVEN-HANDED IN ITS NEUTRALITY.

(7) ENCOURAGE THE FINNS TO PLAY AN OBJECTIVE AND CONSTRUCTIVE ROLE IN HELPING TO ASSURE COMPLIANCE WITH THE HELSINKI FINAL ACT AND TO ATTAIN FOLLOW-THROUGH ON CSCE AGREEMENTS.

(8) IN GENERAL URGE THE FINNS TO RECOGNIZE THAT SOME CONSTRAINTS DO EXIST ON SOVIET POLICY TOWARDS FINLAND; THAT THESE CONSTRAIN-  
SECRET

SECRET

PAGE 03 HELSIN 00565 03 OF 09 231017Z

TS SHOULD BE ENCOURAGED; AND THAT THESE CONSTRAINTS PROVIDE PERHAPS A GREATER MARGIN FOR FINNISH FOREIGN POLICY MANEUVERABILITY THAN THE FINNS ARE CURRENTLY UTILIZING.

(9) WITH RESPECT TO THE POSSIBILITY OF A SUCCESSION CRISIS DURING THE TIME-FRAME OF THIS ANALYSIS, HELP CALM ANY TENSIONS THAT MIGHT ARISE IN SUCH AN EVENTUALITY AND MAKE CLEAR STRONG U.S. SUPPORT FOR CONTINUITY IN FINLAND'S INTERNATIONAL STATUS DURING AND FOLLOWING A CHANGE IN LEADERSHIP.

## 2. DOMESTIC POLITICAL TRENDS

### (A) ISSUES

(1) STRENGTH OF FINNISH POLITICAL INSTITUTIONS -- PRESIDENTIAL ELECTIONS ARE SCHEDULED FOR 1978, AND IT NOW SEEMS PROBABLE, BARRING SOME FOREIGN POLICY CRISIS, THAT THEY WILL BE HELD AS PLANNED. PRESIDENT KEKKONEN WILL HAVE NO SERIOUS OPPOSITION AND WILL PRESUMABLY BE RE-ELECTED FOR A SIX-YEAR TERM. AT AGE 77, HOWEVER, THE ACTUARIAL PROBABILITIES OF HIS SERVING A COMPLETE TERM ARE NOT HIGH, AND A SUCCESSION CRISIS COULD OCCUR DURING THE TIME-FRAME OF THIS PAPER. THERE

IS STILL NO "CROWN PRINCE," AND PRESIDENT KEKKONEN HAS  
STATED HE WILL NOT SELECT ONE. COMPETITION AMONG  
ASPIRANTS SEEKING TO INHERIT KEKKONEN'S MANTLE ADDS AN  
ELEMENT OF UNCERTAINTY TO THE POLITICAL SCENE.  
THE NEW PRESIDENT, WHOEVER HE IS, WILL SURELY NOT ENJOY  
THE TOWERING STATURE OF KEKKONEN, WHICH MAY HAVE FOREIGN  
POLICY IMPLICATIONS, AS DISCUSSED ABOVE. THE DOMESTIC  
POLITICAL IMPLICATIONS OF A LESS POWERFUL PRESIDENT ARE  
NOT NECESSARILY NEGATIVE. DURING HIS 21 YEARS AS PRESI-  
DENT, KEKKONEN HAS ACHIEVED A DEGREE OF DOMINATION OF  
THE DOMESTIC POLITICAL SCENE WHICH HAS PARTIALLY ECLIPSED  
THE NORMAL ROLES OF THE POLITICAL PARTIES, THE PARLIAMENT  
AND THE CABINET. IN RECENT MONTHS THERE HAVE BEEN SOME  
TENTATIVE INDICATIONS -- EMERGENCE OF A CENTER-RIGHT  
ALTERNATIVE, REJECTION BY A BLOCKING MINORITY OF MP'S OF  
AN INITIATIVE TO CANCEL THE 1978 PJASI

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PAGE 04 HELSIN 00565 03 OF 09 231017Z

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PAGE 01 HELSIN 00565 04 OF 09 231035Z

ACTION EUR-12

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DODE-00 PM-04 H-01 INR-07 L-03 NSAE-00 NSC-05

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S E C R E T SECTION 4 OF 9 HELSINKI 0565

THAT THE OTHER POLITICAL ACTORS ARE SEEKING TO REGAIN  
THEIR NORMAL ROLE. WITH A NEW PRESIDENT THAT PROCESS



SHOULD ADVANCE EVEN FURTHER, AS HIS ABILITY TO DOMINATE THE OTHER POLITICAL INSTITUTIONS WILL PROBABLY BE SHARPLY REDUCED. WHETHER A RE-INVIGORATION OF THE POLITICAL PARTIES, PARLIAMENT AND CABINET WILL PROVE BENEFICIAL OR DURABLE WILL DEPEND IN LARGE DEGREE UPON THEIR CAPACITY TO SHOULDER THEIR INCREASED RESPONSIBILITY AND TO COME TO GRIPS EFFECTIVELY WITH NATIONAL PROBLEMS. THEIR DISUNITY, DRIFT, AND FAILURE TO ACCEPT RESPONSIBILITY -- WHICH HAS OFTEN CHARACTERIZED THEM IN THE PAST -- WOULD PROBABLY RESULT ONCE AGAIN IN A RAPID ACCRETION OF PRESIDENTIAL POWER.

(2) ORIENTATION OF SOCIAL DEMOCRATIC PARTY -- THE RECENT TREND OF THE FINNISH DOMESTIC POLITICAL MOOD HAS BEEN MODERATELY TOWARD THE CENTER/RIGHT; FOR THE FIRST TIME IN A DECADE THERE ARE NO COMMUNISTS OR SOCIAL DEMOCRATS IN GOVERNMENT, AND THE CONSERVATIVE PARTY FOR THE FIRST TIME IN 10 YEARS PLAYED A KEY ROLE ON A DOMESTIC POLITICAL ISSUE, PARTIALLY, BUT NOT COMPLETELY, ENDING ITS EXILE FROM POLITICAL INFLUENCE.

SECRET

SECRET

PAGE 02 HELSIN 00565 04 OF 09 231035Z

WHILE THE COMMUNISTS APPEAR LIKELY TO REMAIN OUT OF GOVERNMENT FOR THE FORESEEABLE FUTURE, THE SDP WILL RETURN TO GOVERNMENT (PERHAPS VERY SHORTLY) IN COALITION WITH THE CENTRIST PARTIES. UNDER ITS NEW GENERATION OF LEADERSHIP, THE SDP -- FINLAND'S LARGEST PARTY -- HAS MANIFESTED SOME DISCONCERTING TENDENCIES, BOTH IN FOREIGN AFFAIRS AND IN DOMESTIC POLITICAL ORIENTATION. IN FOREIGN AFFAIRS, YOUNGER MEMBERS OF THE PARTY ARE MORE LIKELY TO SHARE THE OUTLOOK, DISCUSSED ABOVE, THAT FINLAND SHOULD SEEK ITS SECURITY THROUGH CLOSER RELATIONS WITH THE SOVIET UNION. IN DOMESTIC MATTERS THE SDP NOW MORE THAN IN PAST YEARS SUPPORTS PROGRAMS TENDING TO INCREASE THE ROLE OF THE STATE IN THE ECONOMY AND TO WHITTLE AWAY CONSTITUTIONAL GUARANTEES OF PROPERTY RIGHTS, WHICH COULD HAVE A LONG-TERM EFFECT ON THE FINNISH DEMOCRATIC SYSTEM AND FREE MARKET ECONOMY.

(B) U.S. OBJECTIVE

ENCOURAGE FINNISH COMMITMENT TO ITS WESTERN-ORIENTED POLITICAL INSTITUTIONS AND VALUES.

(C) COURSES OF ACTION

(1) FOLLOW FINNISH POLITICAL DEVELOPMENTS CLOSELY WHICH COULD AFFECT U.S. INTERESTS.

(2) CONTINUE CURRENT CLOSE RELATIONSHIP BETWEEN U.S. AMBASSADOR AND PRESIDENT KEKKONEN. BE ALERT TO WAYS IN WHICH THE UNITED STATES CAN INFLUENCE THE OPINIONS OF THE FINNISH LEADER, INCLUDING THROUGH VISITS TO FINLAND AND CALLS ON THE PRESIDENT BY HIGH-LEVEL CARTER ADMINISTRATION OFFICIALS.

(3) IDENTIFY AND STAY CLOSE TO THE FIVE OR SIX FINNS WHO ARE MOST LIKELY TO BE IN THE RUNNING TO SUCCEED PRESIDENT KEKKONEN; MAINTAIN OR ESTABLISH A SPECIAL RELATIONSHIP WITH EACH OF THESE INDIVIDUALS AND KEEP THEM CLOSELY INFORMED OF U.S. VIEWS.

(4) INCREASE U.S. GOVERNMENT PROGRAMS TO MEET, CULTIVATE AND SECRET

SECRET

PAGE 03 HELSIN 00565 04 OF 09 231035Z

INFLUENCE POLITICAL PARTY LEADERSHIP, POLITICAL PARTY OFFICIALS, MEMBERS OF PARLIAMENT AND POLITICAL SECRETARIES TO CABINET OFFICERS. TO BE EFFECTIVE, PROGRAMS WOULD REQUIRE SHARP INCREASES IN REPRESENTATION EFFORTS AND IVP GRANTS: (A) WHILE NOT NEGLECTING CENTRIST AND CONSERVATIVE PARTIES, SPECIAL EMPHASIS SHOULD BE CONCENTRATED UPON THE SDP BECAUSE OF THE QUESTION CONCERNING SOME OF ITS POLITICAL ORIENTATIONS; (B) RELATIONS SHOULD BE MAINTAINED ALSO WITH SELECTED MEMBERS OF THE SKDL AND COMMUNISTS IN OFFICIAL CAPACITIES.

(5) MAINTAIN EMBASSY RELATIONS WITH FINNISH TRADE UNION OFFICIALS. INCREASE EFFORTS TO BRING ABOUT BROADER CONTACTS BETWEEN LEADERS OF FINNISH TRADE UNIONS AND THEIR AMERICAN COUNTERPARTS THROUGH: (A) MORE VISITS BY U.S. TRADE UNION OFFICIALS AND DELEGATIONS TO FINLAND; (B) MORE USG AND PRIVATE TRADE UNION-SPONSORED VISITS BY FINNISH TRADE UNION LEADERS TO THE U.S.

(6) INCREASE EMBASSY ACTIVITIES AMONG POLITICALLY ORIENTED YOUTH GROUPS (SEE CULTURAL SECTION BELOW FOR ELABORATION).

### 3. FINLAND'S FOREIGN ECONOMIC RELATIONS

#### (A) ISSUES

(1) FINNISH FOREIGN TRADE POLICY. THE SUCCESS OF MONETARY POLICY, SUPPORTED BY CYCLICAL TRENDS, IN CURTAILING IMPORTS HAS ENABLED FINLAND TO REFRAIN FROM ADDITIONAL DEPARTURES FROM INTERNATIONAL TRADE AND FINANCIAL OBLIGATIONS. THE IMPORT DEPOSIT SCHEME WAS TERMINATED AT THE END OF 1976 AS SCHEDULED. THE BANK OF FINLAND CONTINUES TO MAINTAIN EXTENSIVE CONTROLS OVER CAPITAL IMPORTS. ON MARCH 1 IT EXTENDED THE LIST OF IMPORTS, LARGELY CONSUMER GOODS, ON WHICH FULL PAYMENT IS REQUIRED PRIOR TO RELEASE FROM CUSTOMS FROM ABOUT 18 PERCENT TO 33 PERCENT OF IMPORTS BY VALUE. FOR THE FIRST TIME RAW MATERIALS AND PRODUCTION EQUIPMENT HAVE BEEN INCLUDED.

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PAGE 01 HELSIN 00565 05 OF 09 231057Z  
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 MMO-01 PER-01 CU-02 CIAE-00  
DODE-00 PM-04 H-01 INR-07 L-03 NSAE-00 NSC-05  
PA-01 PRS-01 SS-15 USIA-06 ACDA-07 EB-08 DHA-02  
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AMEMBASSY STOCKHOLM

S E C R E T SECTION 5 OF 9 HELSINKI 0565

THE MEASURE, INTENDED IN PART TO LENGTHEN THE STRUCTURE OF FOREIGN DEBT, WILL HAVE ITS SHARPEST IMPACT IN THE NEXT SIX MONTHS. AFFECTED AMERICAN EXPORTS INCLUDE CIGARETTE TOBACCO, HOISTING EQUIPMENT SUCH AS FORK LIFTS, AND MEASURING INSTRUMENTS. THERE ARE ALSO INDICATIONS OF INCREASING PRESSURES ON GOVERNMENT AGENCIES TO "BUY FINNISH." AMERICAN DRUG MANUFACTURERS HAVE BEEN AFFECTED, BUT THE PHARMACEUTICALS IMPORTS THAT ARE AFFECTED ORIGINATE IN WESTERN EUROPE. OTHER IMPORT BARRIERS, INCLUDING AN IMPORT LICENSING SYSTEM AFFECTING U.S. FRUIT EXPORTS, REMAIN IN PLACE. EXPENDITURES ON SUBSIDIES FOR AGRICULTURAL EXPORTS HAVE BEEN INCREASED AND THE FLOOR INFLATION RATE FOR INFLATION INSURANCE FOR METAL INDUSTRY EXPORTS WAS LOWERED, FROM 11 PERCENT TO APPROXIMATELY 8.5 PERCENT EFFECTIVE DECEMBER 1976, LARGELY TO REFLECT THE ANTICIPATED REDUCTION OF INFLATION TO BELOW 10 PERCENT. THE FINNS WILL CONTINUE TO CULTIVATE THEIR ADVANTAGEOUS ECONOMIC RELATIONS WITH THE SOVIET UNION. TRADE WITH THE SOVIETS DOES NOT REQUIRE HARD CURRENCY OUTLAY, AND ITS GROWTH SINCE 1974 CONTRASTS SHARPLY WITH THE CYCLICAL FLUCTUATIONS OF WESTERN MARKETS. CONCLUSION OF BOTH AN UNPRECEDENTED FIFTEEN-YEAR  
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PAGE 02 HELSIN 00565 05 OF 09 231057Z

ECONOMIC COOPERATION AGREEMENT, WHICH IS TURNING OUT TO BE LARGELY A STATEMENT OF INTENTIONS, AND ARRANGEMENTS FOR CONSTRUCTION OF A MAJOR IRON ORE PROJECT AT KOSTAMUS, NEAR THE SOVIET BORDER, ARE EXPECTED WHEN KEKKONEN VISITS MOSCOW IN MAY. FINLAND'S BILATERAL AGREEMENTS WITH HUNGARY, CZECHOSLOVAKIA, BULGARIA, AND THE GDR ON REDUCTION OF TRADE BARRIERS ARE UNDER REVIEW IN THE GATT. FINNISH SENSITIVITIES ABOUT INVOLVEMENT IN EAST-WEST CONFRONTATIONS LED TO ADVERSE REACTION TO INDICA-

TIONS THAT THE U.S. INITIATIVE CALLING FOR EXAMINATION OF EAST-WEST ECONOMIC RELATIONS IN THE OECD COULD LEAD TO EFFORTS TO ENCOURAGE COORDINATION OF OECD MEMBERS' POLICIES. THE U.S. WAS ABLE TO ACCOMMODATE FINNISH CONCERNS.

(2) U.S.-FINNISH BILATEAL ISSUES. FINLAND'S LARGELY WESTERN INTERNAL ORIENTATION AND ITS NEUTRALITY ARE STRENGTHENED BY ACCESS TO WESTERN EUROPEAN AND AMERICAN MARKETS. A SMALL AMOUNT OF FINNISH INVESTMENT IN THE U.S. HAS BEGUN TO DEVELOP, LARGELY IN RESPONSE TO HIGH DOMESTIC COST STRUCTURES. THE TONE OF BILATERAL ECONOMIC RELATIONS IS EXCELLENT, BUT A NUMBER OF POTENTIALLY SENSITIVE ISSUES EXIST.

-- PROSPECTS FOR SALES TO THE U.S. OF ICEBREAKERS, A MAJOR AND HIGHLY VISIBLE FINNISH EXPORT WHOSE PURCHASE WOULD HAVE A STRONGLY BENEFICIAL IMPACT ON U.S. RELATIONS, REMAIN PROBLEMATIC. DESPITE GENERAL RECOGNITION OF THE MAJOR ECONOMIC BENEFITS OF OPENING THE GREAT LAKES TO YEAR-ROUND TRAFFIC, POLICY DECISIONS AT THE FEDERAL LEVEL HAVE NOT YET BEEN TAKEN. THE LACK OF PROGRESS ON THIS ISSUE IS AT VARIANCE WITH OUR POSTURE OF ENCOURAGING FINNISH ACCESS TO WESTERN MARKETS.

-- IMPORT RESTRICTIONS BY THE U.S. GOVERNMENT AFFECT OR THREATEN FINNISH EXPORTS TO THE U.S. OF CHEESE, STEEL, AND HOCKEY STICKS. IN JUNE 1976 TREASURY ISSUED A TEMPORARY WAIVER OF COUNTERVAILING DUTIES ON FINNISH  
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PAGE 03 HELSIN 00565 05 OF 09 231057Z

EMMENTHALER AND PROCESSED CHEESE. LAST YEAR THE U.S. IMPORTED 9.5 MILLION KILOS OF FINNISH CHEESE, WITH AN EXPORT VALUE OF \$18.5 MILLION, OR 40 PERCENT OF THE TOTAL VALUE OF CHEESE EXPORTS. THE WAIVER MAY REMAIN IN EFFECT UNTIL JANUARY 1979, BUT IS CONTINGENT ON FINNISH STEPS TO ELIMINATE SUBSIDIES ON EMMENTHALER EXPORTS AND TO LIMIT MARKETING IN THE U.S. OF BOTH TYPES. THE QUOTA LEVELS FOR SHEET AND STRIP UNDER THE IMPORT RELIEF PROGRAM FOR SPECIALTY STEEL, ALSO INSTITUTED LAST JUNE, WILL SEVERLY CURTAIL PROJECTED EXPORTS OF OUTOKUMPU OY'S MAJOR STAINLESS STEEL MILL NOW COMING INTO PRODUCTION. ON MARCH 16 TREASURY PUBLISHED NOTICE OF ANTIDUMPING PROCEEDINGS CONCERNING IMPORTS OF FINNISH ICE HOCKEY STICKS, WHICH TOTALED \$2 MILLION IN 1976.

-- THE FINNISH GOVERNMENT HAS BEEN ADVISED THAT IN VIEW OF ALLEGED EXCESSIVE FIFTH AND SIXTH FREEDOM AIR TRAFFIC BY FINNAIR FROM NEW YORK THERE IS SLIGHT POSSIBILITY OF FAVORABLE ACTION ON THE REQUEST FOR LANDING RIGHTS FOR FINNAIR IN SAN FRANCISCO AND SEATTLE. FINLAND IS CHALLENGING

FIFTH AND SIXTH FREEDOM FIGURES AND CONTINUES HOPEFUL.

(4) COUNTRY COMMERCIAL PROGRAM. FINLAND IS A SMALL MARKET, WITH LONG-STANDING TIES WITH WESTERN SUPPLIERS IN SWEDEN, THE FRG, AND THE U.K., AS WELL AS THE U.S. A MAJOR U.S. GOVERNMENT PROGRAM TO INCREASE U.S. EXPORTS WOULD NOT BE COST EFFECTIVE. HOWEVER, A PROGRAM OF NURTURING AND EXPANDING THE COMMERCIAL VISIBILITY OF THE U.S., AND OF EMPHASIZING THE FINNISH NEED FOR AND BENEFICIAL ASPECTS OF AMERICAN EXPORTS WOULD BE DESIRABLE.

(B) U.S. OBJECTIVE

ENCOURAGE FINNISH COMMITMENT TO WESTERN INTERNATIONAL ECONOMIC INSTITUTIONS, AND TO WESTERN TRADE RELATIONS, AS THE BEST GUARANTEE OF FINNISH PROSPERITY AND  
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PAGE 04 HELSIN 00565 05 OF 09 231057Z

A STRONG SUPPORT FOR FINNISH INDEPENDENCE.

(C) COURSES OF ACTION (BILATERAL)

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PAGE 01 HELSIN 00565 06 OF 09 231125Z  
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 MMO-01 PER-01 CU-02 CIAE-00  
DODE-00 PM-04 H-01 INR-07 L-03 NSAE-00 NSC-05  
PA-01 PRS-01 SS-15 USIA-06 ACDA-07 EB-08 DHA-02  
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FM AMEMBASSY HELSINKI  
TO SECSTATE WASHDC 1132  
INFO AMEMBASSY COPENHAGEN  
AMEMBASSY MOSCOW  
AMEMBASSY OSLO  
AMEMBASSY STOCKHOLM

S E C R E T SECTION 6 OF 9 HELSINKI 0565

(1) REITERATE FORMER SECRETARY OF TRANSPORTATION COLEMAN'S COMMITMENT TO PRESIDENT KKKONEN TO GIVE FINNISH FIRMS FAIR TREATMENT ON ICEBREAKER TENDERS SO THAT DECISIONS CAN BE MADE AND PERCEIVED BY FINNISH OFFICIALS TO BE MADE ON STRICTLY ECONOMIC GROUNDS. PRESS FOR TIMELY DOMESTIC DECISIONS ON INCREASED USE OF ICEBREAKERS, WHILE DOWNPLAYING SUBJECT IN FINLAND TO EXTENT INTENSE FINNISH INTEREST PERMITS.

(2) CONSULT WITH FINNS FULLY IN THE COURSE OF TREASURY'S REVIEW OF FINNISH CHEESE'S SHARE OF THE U.S. MARKETS AT THE END OF 1976, PREPARATORY TO PUTTING A FINAL ADJUSTMENT REQUIREMENT INTO EFFECT. (NEGOTIATION OF ARRANGEMENTS IN THE MTN ON EXPORT SUBSIDIES AND COUNTERVAILING DUTIES THAT LED TO INCLUSION OF PROOF OF INJURY IN U.S. PROCEDURES COULD FACILITATE A LONG-TERM SOLUTION TO THE BILATERAL ISSUE.)

(3) ENCOURAGE EXCHANGE OF INFORMATION ON FINNAIR'S AIR TRAFFIC THAT MAY HELP RESOLVE CURRENT FACTUAL DIFFERENCES  
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PAGE 02 HELSIN 00565 06 OF 09 231125Z

AND PROVIDE A BASIS FOR NEGOTIATION OF AIR ROUTE ARRANGEMENTS TO THE BENEFIT OF BOTH COUNTRIES' AIRLINES AND CONTINUED PURCHASES BY FINNAIR OF AMERICAN AIRCRAFT.

(4) KEEP FINNS INFORMED OF U.S. POLICIES ON SPECIALTY STEEL IMPORTS AND SEEK WITHIN USG TO ASSURE EQUITABLE TREATMENT FOR FINLAND CONSISTENT WITH U.S. POLICY, WITH PARTICULAR REFERENCE TO PROCEDURES FOR ALLOCATION OF SHORTFALLS OR RESIDUAL QUOTAS.

(5) REFLECT IN THE FY 78 AND 79 COUNTRY COMMERCIAL PROGRAMS THE CONVERGENCE OF U.S.- FINNISH COMMERCIAL INTERESTS, INCLUDING THE FINNISH NEED FOR U.S. HIGH-TECHNOLOGY PRODUCTION EQUIPMENT, AND THE DESIRABILITY OF MORE VISIBLE U.S. "PRESENCE" THROUGH EXHIBITIONS AND VISITS IN FINLAND, OR THROUGH PROMOTION OF THE STOCKHOLM TRADE CENTER AS A VISIBLE REMINDER TO FINNS BOTH OF THE ATTRACTIVENESS OF U.S. GOODS AND OF CONTINUING U.S. INTEREST IN THE NORDIC REGION.

COURSES OF ACTION (MULTILATERAL)

(1) ENCOURAGE DEMAND MANAGEMENT POLICIES BY WESTERN GOVERNMENTS THAT WILL STIMULATE REVIVAL OF MARKETS FOR FINNISH GOODS.

(2) ENCOURAGE MODERATION IN OPEC OIL PRICE POLICIES THAT WILL MITIGATE FURTHER STRAINS ON THE FINNISH

BALANCE-OF-PAYMENTS POSITION AND COMMITMENT OF RESOURCES  
TO EXPORTS TO THE USSR, WHICH IN 1975 SUPPLIED 63 PERCENT  
OF CRUDE OIL IMPORTS.

(3) ENCOURAGE THE FINNS, ESPECIALLY IN THE GATT  
BALANCE OF PAYMENTS COMMITTEE CONSULTATIONS ON FINLAND, TO  
ADHERE TO INTERNATIONAL OBLIGATIONS; IN THE GATT  
EXAMINATIONS OF FINLAND'S TRADE ARRANGEMENTS WITH  
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PAGE 03 HELSIN 00565 06 OF 09 231125Z

EASTERN EUROPEAN COUNTRIES, WORK TOWARD AN OUTCOME THAT  
ON THE ONE HAND MINIMIZES DAMAGE TO THE INTEGRITY OF THE  
GATT AND DETERS OTHER NEUTRALS FROM ENTERING INTO SUCH  
ARRANGEMENTS, AND ON THE OTHER HAND TAKES INTO ACCOUNT  
THE POLITICAL IMPERATIVES AT THE ROOT OF THESE ARRANGE-  
MENTS.

#### 4. DOMESTIC ECONOMIC TRENDS AND POLICIES

##### (A) ISSUES

FINNISH ECONOMIC MANAGEMENT PROBLEMS ARE EXACERBATED BY  
THE PRESENT MINORITY GOVERNMENT'S LACK OF SUFFICIENT  
BREADTH OF SUPPORT TO PURSUE STRONG FISCAL AND INCOMES  
POLICIES; IT IS THE BANK OF FINLAND, THROUGH ITS MONETARY  
POLICIES, THAT IS BEARING THE BURDEN OF DEALING WITH  
THE FOLLOWING SEVERE ECONOMIC PROBLEMS:

-- INFLATION, WHICH OVER THE LAST THREE YEARS HAS BEEN  
MUCH HIGHER THAN THE OECD AVERAGE. LAST YEAR THE RATE WAS  
12.3 PERCENT. LABOR COSTS CONTINUED TO RISE, PRODUCTIVITY  
DECLINED, AND PUBLIC SECTOR EXPENDITURES CONTINUED  
TO EXPAND DESPITE A SECOND STRAIGHT YEAR OF NO REAL  
ECONOMIC GROWTH. CURRENTLY, MONETARY POLICY IS AS  
TIGHT AS ANY IN RECENT HISTORY. INTERNAL DEMAND HAS BEEN  
DAMPENED AT THE COST OF A DECLINE IN INVESTMENT, INCREASED  
SLACK IN THE ECONOMY, AND A RISE IN UNEMPLOYMENT. WE  
DOUBT THAT THE OUTCOME OF THE CURRENT LABOR NEGOTIATIONS  
OR FISCAL POLICIES OF ANY MAJORITY GOVERNMENT WHICH MIGHT BE  
FORMED SOON WILL PROVE CONSISTENT WITH PRESENT STRATEGY  
OF REGAINING AN APPROPRIATE PARITY FOR THE OVERVALUED  
FINNMARK BY STABILIZING INFLATION BELOW REATES OF WESTERN  
TRADING PARTNERS.

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PAGE 01 HELSIN 00565 07 OF 09 231129Z  
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 MMO-01 PER-01 CU-02 CIAE-00  
DODE-00 PM-04 H-01 INR-07 L-03 NSAE-00 NSC-05  
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FM AMEMBASSY HELSINKI  
TO SECSTATE WASHDC 1133  
INFO AMEMBASSY COPENHAGEN  
AMEMBASSY MOSCOW  
AMEMBASSY OSLO  
AMEMBASSY STOCKHOLM

S E C R E T SECTION 7 OF 9 HELSINKI 0565

-- THE FOREIGN TRADE DEFICIT, WHICH IN 1975 TOTALED  
FMK 8 BILLION, 8.5 PERCENT OF GDP, WAS VIRTUALLY  
HALVED LAST YEAR TO FMK 4.1 BILLION, MAINLY BECAUSE OF IMPORT  
DEMAND WAS CURTAILED. FINNISH EXPORTS OF GOODS AND  
SERVICES ACCOUNT FOR ONE-FOURTH OF GDP, AND ARE VULNERABLE  
BECAUSE OF THE HIGH COST STRUCTURE AND CONCENTRATION IN  
A FEW CYCLICALLY SENSITIVE AREAS AND MARKETS WHERE  
RECOVERY IS LAGGING. THE METAL AND ENGINEERING INDUSTRY  
NOW APPEARS MORE VULNERABLE THAN THE FOREST INDUSTRY; IT  
PRODUCES SPECIALIZED, HIGH-TECHNOLOGY PRODUCTS AND LACKS  
ASSURED MARKETS, AT LEAST IN THE WEST. TWO OF THE THREE  
PRINCIPAL WESTERN MARKETS FOR FINNISH EXPORTS, THE U.K.  
AND SWEDEN, ARE LIKELY TO REVIVE MORE SLOWLY THAN THE  
OTHER WESTERN EUROPEAN MARKETS OVER THE NEXT 2-3 YEARS.  
THE PROPORTION OF TRADE WITH THE SOVIET UNION, WHICH  
SUPPLIES 63 PERCENT OF CRUDE OIL IMPORTS, IS EXPECTED TO  
DECLINE SLIGHTLY FROM CLOSE TO 20 PERCENT AT PRESENT, AS  
TRADE WITH THE WEST GRADUALLY RECOVERS.

-- NET FOREIGN DEBT, WHICH GREW BY ALMOST 80 PERCENT  
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PAGE 02 HELSIN 00565 07 OF 09 231129Z

IN 1975 TO FMK 20.3 BILLION, AND INCREASED LAST YEAR  
TO FMK 24 BILLION, OR 22 PERCENT OF 1976 GDP. THIS YEAR  
FOREIGN INTEREST PAYMENTS WILL EQUAL A MONTH'S EXPORT  
EARNINGS. IF, AS WESTERN MARKETS RECOVER, LOSS OF  
COMPETITIVENESS LEADS TO SUBSTANTIAL CONTINUING UNEMPLOYMENT  
AND A CHRONIC BALANCE-OF-PAYMENTS PROBLEM, THE FINNS



ARE LIKELY TO BE FORCED TO DEVALUE. A SIZABLE DEVALUATION, 15-20 PERCENT, MAY BE NECESSARY BECAUSE OF THE PROPORTIONALLY SMALL IMPACT ON THE EXTERNAL ACCOUNT OWING TO PRICE INELASTICITY OF FINNISH EXPORTS. THE HIGH PRIORITY THAT FINNS GIVE TO INTEGRITY OF FOREIGN DEBT SERVICING WOULD HELP TO LIMIT DAMAGE TO THE COUNTRY'S INTERNATIONAL FINANCIAL STANDING, BUT PROSPECTS FOR DOMESTIC SUPPORT FOR THE AUSTERITY MEASURES NECESSARY TO RESTORE EQUILIBRIUM AND MAKE DEVALUATION STICK OVER THE LONGER RUN ARE PROBLEMATIC. IF DURING THE NEXT 2-3 YEARS, WITH OR WITHOUT DEVALUATION, THE GOVERNMENT IS UNABLE TO IMPOSE EFFECTIVE ANTI-INFLATIONARY FISCAL POLICIES, THE BANK OF FINLAND CAN BE EXPECTED TO CONTINUE TO MAINTAIN A TIGHT MONETARY POLICY.

(B) U.S. OBJECTIVE

ENCOURAGE FINLAND TO RELY ON ITS BASICALLY MARKET-ORIENTED ECONOMIC INSTITUTIONS IN FORMULATION OF POLICIES TO COMBAT ITS SEVERE ECONOMIC PROBLEMS.

(C) COURSES OF ACTION

(1) MAINTAIN AND FURTHER DEVELOP CONTACTS WITH INFLUENTIAL ECONOMIC FIGURES IN PARLIAMENT, IN THE BANK OF FINLAND, AND IN OTHER POLICY INSTITUTIONS AND INTEREST GROUPS.

(2) TAKE APPROPRIATE OPPORTUNITIES TO REMIND FINNS OF THE PAST PERFORMANCE OF THEIR ECONOMIC SYSTEM AND OF THE  
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PAGE 03 HELSIN 00565 07 OF 09 231129Z

RECOVERY PROSPECTS IN THE WESTERN TRADING COMMUNITY.

(3) BRING INFLUENTIAL AND WELL-KNOWN AMERICAN ECONOMIC AND BUSINESS FIGURES TO FINLAND FOR PUBLIC PROGRAMS OR MEETINGS WITH KEY ECONOMIC GROUPS.

(4) CONSIDER ENCOURAGING OECD OR IMF STUDIES OF STRUCTURAL BALANCE-OF-PAYMENTS PROBLEMS AND EXCHANGE RATE MECHANISMS OF SMALLER INDUSTRIALIZED COUNTRIES, WITH IN THE CASE OF FINLAND MIGHT BEAR ON THE CONTRIBUTION TO ECONOMIC DISEQUILIBRIUM OF THE LACK OF LINKAGE OF THE PARITY OF THE FINNMARK TO DOMESTIC COSTS; AND CONTINUE TO PARTICIPATE ACTIVELY IN THE ANNUAL OECD ECONOMIC POLICY REVIEW ON FINLAND, THE PRINCIPAL OUTSIDE EXAMINATION OF FINNISH ECONOMIC POLICIES.

5. MILITARY TRENDS AND PROBLEMS

(A) ISSUES

(1) STRENGTH OF FINNISH MILITARY RESOLVE AND CAPABILITY  
--THE SECOND PARLIAMENTARY DEFENSE COMMITTEE MAJORITY  
REPORT RELEASED IN JUNE 1976 SUPPORTED THE CONTINUATION  
OF THE FINNISH DEFENSE FORCES AS A VIABLE NATIONAL  
INSTITUTION NECESSARY TO MAINTAIN THE CREDIBILITY OF  
FINNISH FOREIGN POLICY. THE MAJORITY OPINION RECOMMENDED  
INCREASES PROCUREMENT SPENDING TO REPLACE AGING  
AND OBSOLETE EQUIPMENT AND STRENGTHENING OF THE FORECES  
IN THE LAPLAND AREA. THIS FAVORABLE PICTURE IS MARRED  
BY THE ARGUMENTS OF EXTREME LEFTISTS THAT FINNISH SECURITY  
INTERESTS ARE BEST SERVED BY CLOSER RELATIONS WITH THE  
USSR. CONTINUOUS LEFTIST PRESSURE IS AIMED AT LIMITING  
OR REDUCING FDF ACTIVITIES, FINANCES AND INFLUENCE. THE  
ECONOMIC RECESSION ALSO IS AN OBSTACLE TO RELAIIZING THE  
FUNDING FOR FDF STRENGTHENING AND UPDATING. THE HIGH  
UNEMPLOYMENT RESULTING FROM THE ECONOMIC DWONTURN HAS BEEN  
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PAGE 04 HELSIN 00565 07 OF 09 231129Z

A MAJOR FACTOR IN REDUCING THE PERSONNEL SHORTAGES IN FDF,  
HOWEVER. AN UNKNOWN FACTOR IS THE FUTURE RESOLVE OF THE  
FDF LEADERSHIP VIS-A-VIS THE SOVIETS DUE TO THE RETIREMENT  
OF THE OLD WINTER AND CONTINUATION WAR VETERANS WITH THEIR  
STRONG ANTI-SOVIET LEANINGS. THE MODERN GENERATION OF  
FINNISH OFFICERS WHO ARE INHERITING THE KEY POSITIONS  
APPEAR TO BE MORE MIDDLE-OF-THE-ROAD THAN THEIR PREDE-  
CESSORS. THEIR PRIMARY ALLEGIANCE IS STILL TO FINLAND  
BUT THEIR INTERPRETATION OF THE FDF'S ROLE MAY LEAD TO  
DILUTION IN SUCCEEDING GENERATIONS OF ITS POSITION AS  
ONE OF THE STRONGEST SUPPORTS OF AN INDEPENDENT SOCIETY.

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PAGE 01 HELSIN 00565 08 OF 09 231208Z  
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 MMO-01 PER-01 CU-02 CIAE-00  
DODE-00 PM-04 H-01 INR-07 L-03 NSAE-00 NSC-05  
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R 230630Z MAR 77  
FM AMEMBASSY HELSINKI  
TO SECSTATE WASHDC 1134  
INFO AMEMBASSY COPENHAGEN  
AMEMBASSY MOSCOW  
AMEMBASSY OSLO  
AMEMBASSY STOCKHOLM

S E C R E T SECTION 8 OF 9 HELSINKI 0565

(2) DEGREE OF U.S. RESOLVE TO MAINTAIN TIES -- A DEVELOPMENT WHICH COULD LOOSEN U.S.-FINNISH TIES IN THE MILITARY AREA WOULD BE FURTHER REDUCTION OF THE ALREADY MINIMAL ALLOCATION OF DOD RESOURCES TOWARD FINLAND. RECOGNIZING THE LIMITATIONS UPON WHAT THE U.S. CAN DO IN THE MILITARY AREA, GIVEN THE FINNISH REALITY, INNOVATIVE EFFORTS ARE NEEDED TO DEMONSTRATE U.S. INTEREST IN FINLAND AND ENHANCE U.S.-FINNISH MILITARY RELATIONS.

(B) U.S. OBJECTIVE  
PROMOTE MAINTENANCE OF AN ADEQUATE AND WESTERN-ORIENTED MILITARY ESTABLISHMENT.

(C) COURSES OF ACTION

(1) INCREASE EXCHANGE VISITS BETWEEN HIGH-LEVEL U.S. AND FINNISH MILITARY LEADERS SUCH AS GENERAL BROWN'S VISIT TO FINLAND TENTATIVELY PLANNED FOR JUNE 1977.

(2) CONTINUE THE MINIMAL SECURITY ASSISTANCE PROGRAM (INTERNATIONAL MILITARY EDUCATION AND TRAINING PROGRAM)  
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PAGE 02 HELSIN 00565 08 OF 09 231208Z

AUTHORIZATION FOR TRAINING OF FINNISH OFFICERS IN THE U.S.

(3) INITIATE ORIENTATION VISITS OF U.S. MILITARY OFFICERS TO FINLAND AS A COMPLEMENT TO FINNISH VISITS TO THE U.S. UNDER IMETP.

(4) SCHEDULE AT LEAST AN ANNUAL U.S. NAVY SHIP VISIT TO FINLAND.

(5) SCHEDULE AT LEAST AN ANNUAL VISIT TO FINLAND OF A GROUP OF STUDENTS FROM A U.S. MILITARY SENIOR SCHOOL.

(6) BE RECEPTIVE TO EXPRESSIONS OF FINNISH INTEREST IN PROCUREMENT OF WESTERN EQUIPMENT.

(7) ALLOCATE THE NECESSARY RESOURCES TO PROMOTE A PEACEFUL AND HUMANITARIAN IMAGE OF U.S. FORCES. FOR EXAMPLE, PROVIDE AIRLIFT AND DEFRAID COSTS FOR "OPERATION SLEIGHBELLS," MILITARY BAND

AND ATHLETIC TEAM VISITS, ETC.

## 6. CULTURE AND INFORMATION TRENDS

### A. ISSUES

(1) ANTI-AMERICAN INFLUENCE IN THE MEDIA -- THERE HAS BEEN A DISTINCT IMPROVEMENT IN THE MEDIA FIELD OVER THE PAST TWO YEARS AND IT NOW SEEMS SAFE TO SAY THAT HOSTILE TREATMENT OF THE U.S. AT LEAST TEMPORARILY HAS BEEN ARRESTED, FOLLOWING THE AMBASSADOR'S INTERVENTION TWO YEARS AGO. ON TELEVISION THE SITUATION HAS IMPROVED SUBSTANTIALLY: WHILE INFORMATION CRITICAL OF THE SOVIET UNION IS STILL RARELY SEEN ON FINNISH TV, TELEVISION REPORTING ON THE UNITED STATES HAS IMPROVED MARKEDLY IN BALANCE AND OBJECTIVITY. RADIO COVERAGE, PARTICULARLY IN THE SWEDISH LANGUAGE, CONTINUES TO BE LESS OBJECTIVE AND MORE OFTEN CRITICAL. THE FINNISH PRESS, PARTICULARLY THE INDEPENDENT NEWSPAPERS, HAVE DEMONSTRATED CONSIDERABLE COURAGE THROUGHOUT THE PAST YEAR, FINLAND'S CONCERN OVER SELF-CENSORSHIP NOTWITHSTANDING. NEVERTHELESS, THE PROBLEM OF TWISTED REPORTING IN THE  
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PAGE 03 HELSIN 00565 08 OF 09 231208Z

MEDIA HAS BY NO MEANS BEEN ELIMINATED. AN IMPORTANT RELATED PROBLEM EXISTS IN THE HIGHLY LEFTIST ORIENTATION OF THE UNIVERSITY OF TAMPERE INSTITUTE OF JOURNALISM AND MASS COMMUNICATIONS, WHICH IS FINLAND'S MOST IMPORTANT TRAINING CENTER OF INFORMATION MEDIA PEOPLE.

(2) U.S. "VISIBILITY" AS A CONTRIBUTION TO IMPROVED FINNISH-AMERICAN RELATIONS -- PERHAPS THE MOST VALUABLE LESSON THE EMBASSY HAS LEARNED OVER THE PAST TWO YEARS HAS BEEN THE CRITICAL CONTRIBUTION OF HEIGHTENED U.S. "VISIBILITY" TO IMPROVED FINNISH-AMERICAN RELATIONS. THIS EMPHASIS HAS BEEN THE DIRECT RESULT OF AMBASSADOR AUSTAD'S INTEREST IN THE AREA. VISITS TO FINLAND BY HIGH-LEVEL U.S. VISITORS, TRIPS TO THE U.S. BY IMPORTANT FINNS, GREATLY EXPANDED TRAVEL AND PUBLIC PRESENTATIONS BY EMBASSY OFFICERS, ESPECIALLY BY THE AMBASSADOR: ALL OF THESE HAVE BEEN ACCOMPANIED BY ATTENTION TO PUBLIC RELATIONS AND HAVE RESULTED IN CONSIDERABLE PUBLIC ATTENTION. THE IMPACT UPON THE FINNS, JUDGING BY THEIR REACTION, HAS BEEN OVERWHELMINGLY FAVORABLE. THERE CLEARLY IS A FELT NEED AMONG THE VAST MAJORITY OF THE FINNISH POPULATION FOR EVIDENCE OF FINNISH IDENTIFICATION WITH THE WEST IN GENERAL AND WITH THE U.S. IN PARTICULAR. GIVEN THE LOOMING PRESENCE OF THE SOVIET NEIGHBOR AND THE LARGE MAGNITUDE OF ITS PROGRAM (SEE NEXT SECTION), THERE IS BY ALL INDICATIONS SIMPLY NO POSSIBILITY OR DANGER OF THE U.S. PROFILE BEING PERCEIVED BY THE FINNS AS TOO HIGH.

(3) SOVIET CULTURAL ASSAULT -- HELSINKI A-8 OF JANUARY 12, 1977, IS A SINGLE-SPACED 69-PAGE REPORT LISTING EASTERN EUROPEAN CULTURAL PRESENTATIONS AND EXCHANGE PROGRAMS IN 12 DIFFERENT CATEGORIES AND TARGET GROUPS CARRIED ON DURING A RECENT 12-

MONTH PERIOD. NOT TO EXAGGERATE, SEVERAL HUNDREDS OF FINNS WERE DIRECTLY INVOLVED IN THE EXCHANGE PROGRAMS. IN ADDITION IT SHOULD BE NOTED THAT THE FINNISH-SOVIET SOCIETY IN FINLAND, SUPPORTED BY A 1.8 MILLION FMK ANNUAL GRANT FROM THE GOF, HAS A QUARTER OF A MILLION INDIVIDUAL MEMBERS AND 1,400 COLLECTIVE MEMBERS (ORGANIZATIONS). THE FINNISH-SOVIET SOCIETY ARRANGES  
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PAGE 04 HELSIN 00565 08 OF 09 231208Z

THOUSANDS OF EVENTS EACH YEAR THROUGH ITS MEMBER GROUPS INVOLVING LITERALLY HUNDREDS OF THOUSANDS OF FINNS. ALSO, THE SOVIET EMBASSY IN HELSINKI HAS A STAFF OF 350 SOVIET PERSONNEL, NOT INCLUDING DEPENDENTS. AT LEAST FIVE (PERHAPS SIX) SOVIET DIPLOMATIC OFFICERS SPEND FULL OR PART TIME ON YOUTH AFFAIRS.

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PAGE 01 HELSIN 00565 09 OF 09 231223Z  
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 MMO-01 PER-01 CU-02 CIAE-00  
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PA-01 PRS-01 SS-15 USIA-06 ACDA-07 EB-08 DHA-02  
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AMEMBASSY OSLO  
AMEMBASSY STOCKHOLM

S E C R E T SECTION 9 OF 9 HELSINKI 0565

AGAINST THIS MASSIVE PROGRAM, THE USG RESPONSE HAS BEEN SMALL. THE FY 1978 PROGRAM INCLUDES IVP GRANTS FOR ONLY 13 FINNS, AND THE ACADEMIC EXCHANGE PROGRAM FINANCES THE STUDIES OF 13 FINNS IN THE U.S. AND 8 AMERICANS IN FINLAND. IN 1958 THE COMPARABLE U.S. PROGRAM WAS 25 IVP GRANTS AND 103 PERSONS IN THE ACADEMIC EXCHANGE PROGRAM. THE USIS STUDENT AFFAIRS OFFICER POSITION WAS ELIMINATED IN FY 1976. NO USG-SPONSORED CULTURAL PRESENTATIONS ARE ANY LONGER PROGRAMMED IN FINLAND, ALTHOUGH IN

COOPERATION WITH LOCAL FINNISH GROUPS USIS HELSINKI IS ABLE TO ASSIST IN SPONSORING TWO OR THREE U.S. PRESENTATIONS PER YEAR. IT IS TRUE THAT USG CULTURAL AND EXCHANGE PROGRAMS ARE IMPORTANTLY SUPPLEMENTED BY THE ACTIVITIES OF THE FINNISH-AMERICAN SOCIETY (WHICH RECEIVED ONLY A 12,000 FMK GRANT FROM THE GOF) AND BY PRIVATE YOUTH EXCHANGE PROGRAMS (77 AMERICAN FIELD SERVICE AND 300 YOUTH FOR UNDERSTANDING STUDENTS VISITED THE U.S. THIS YEAR). IT IS ALSO TRUE THAT FINLAND'S BASIC VALUE AND CULTURAL ORIENTATION IS TOWARDS THE WEST, THAT MANY FINNS TRAVEL TO THE WEST AND TO THE U.S. PRIVATELY, AND THAT THE EMBASSIES OF OTHER WESTERN COUNTRIES ALSO CARRY ON MODEST CULTURAL PROGRAMS. NEVERTHELESS, IT IS THE COUNTRY TEAM'S SECRET

SECRET

PAGE 02 HELSIN 00565 09 OF 09 231223Z

JUDGMENT THAT THE PRESENT USG EFFORT IN THE CULTURAL/EXCHANGE AREA SHOULD BE UPGRADED AND RESTORED TO FORMER LEVELS.

B. U.S. OBJECTIVE

ENCOURAGE MEDIA OBJECTIVITY, FOSTER FAVORABLE ATTITUDES TOWARD THE UNITED STATES AND PROMOTE THE STRENGTHENING OF WESTERN-ORIENTED VALUES AND CULTURE IN FINLAND.

C. COURSES OF ACTION

(1) INCREASE IVP FUNDING TO A LEVEL SUFFICIENT TO FINANCE 25 IVP GRANTS, THE SAME LEVEL AS IN 1958. COORDINATE BETWEEN USIS AND EMBASSY THE IDENTIFICATION AND TARGETING OF POTENTIAL RECIPIENTS WITH MOST OF THE INCREASED GRANTS BEING DIRECTED TOWARD POLITICAL FIGURES, INCLUDING POLITICALLY ACTIVE ECONOMISTS AND PLANNERS.

(2) RESTORE ACADEMIC EXCHANGE PROGRAMS TO THE SAME LEVEL THAT EXISTED IN FY 1976, I.E. PRIOR TO ESTABLISHMENT OF THE U.S.-FINNISH EXCHANGE FUND. THIS WOULD BE ACHIEVED BY AN ADDITIONAL ANNUAL CU GRANT OF \$50,000, WHICH THE FINNISH GOVERNMENT HAS INDICATED IT WOULD MATCH.

(3) FOR PROGRAMMING OF CULTURAL PRESENTATIONS, GIVE FINLAND THE SAME PRIORITY ACCORDED EASTERN EUROPEAN COUNTRIES, AND INCLUDE FINLAND IN THE PLANNING OF SCHEDULES FOR CULTURAL PRESENTATIONS IN THESE COUNTRIES.

(4) CONTINUE PRACTICE OF HAVING OFFICIAL U.S. VISITORS MEET WITH NEWS MEDIA REPORTERS AND EDITORS.

(5) IF PROPER SAFEGUARDS CAN BE ASSURED, COOPERATE WITH FINNISH TV ON THE JOINT PRODUCTION WITH USIS OF "TELEVISION COOPERATIVE" DOCUMENTARIES.

(6) WORK CLOSELY WITH INSTITUTIONS OF HIGHER EDUCATION WHICH TRAIN JOURNALISTS IN ORDER TO FOSTER THE TEACHING OF WESTERN

SECRET

SECRET

PAGE 03 HELSIN 00565 09 OF 09 231223Z

VALUES AND PRACTICES OF JOURNALISM. THE WESTERN-ORIENTED UNIVERSITY OF HELSINKI COMMUNICATIONS DEPARTMENT MIGHT BE PARTICULARLY COOPERATIVE.

(7) ASSURE AN ACTIVE PROGRAM OF GETTING EMBASSY OFFICERS AROUND THE COUNTRY TO SPEAK AT PUBLIC FUNCTIONS AND TO MEET WITH LOCAL OFFICIALS AND NEWS MEDIA; CONTINUE TO SUPPORT FINNISH-AMERICAN SOCIETY AND OTHER FINNISH EFFORTS TO INCREASE PRO-AMERICAN SENTIMENT.

(8) COORDINATE BETWEEN USIS AND EMBASSY POLITICAL SECTION AN ACTIVE YOUTH PROGRAM.

#### D. CONCLUSION

THE COUNTRY TEAM HOPES THAT THIS PAPER CONVEYS TO WASHINGTON AGENCIES THE FLAVOR OF THE SPECIAL CIRCUMSTANCES AFFECTING THIS UNIQUE COUNTRY. UNDER PRESSURE AND CONSTRAINTS FROM THE EAST, FINLAND SEEKS TO MAINTAIN THE VALUES AND INSTITUTIONS OF THE WEST: THE STAKES FOR FINLAND ARE HIGH. BECAUSE OF GEOPOLITICAL FACTORS, THE USG HAS LITTLE LEVERAGE IT CAN RELY ON IN PURSUING OUR -- AND FINLAND'S -- INTEREST: WE HAVE NO POLITICAL OR MILITARY ALLIANCE AND NO AID PROGRAM. WE CAN ONLY TRY TO EXERT INFLUENCE. IT IS THE COUNTRY TEAM'S CONSIDERED JUDGMENT THAT THE PRESENT LEVEL OF THE USG EFFORT TO INFLUENCE FINNS IN KEY SECTORS OF THE SOCIETY IS INADEQUATE OVER THE LONG RUN TO OFFER ANY REASONABLE ASSURANCE OF EFFECTIVELY PROMOTING U.S. INTERESTS IN THE FACE OF STRONG COMPETITION.

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